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{ REPORT
{ No. 2265

PROVIDING FOR THE ADMINISTRATION OF PERFORMANCE-RATING PLANS FOR CERTAIN OFFICERS AND EMPLOYEES OF THE FEDERAL GOVERNMENT

AUGUST 10 (legislative day, JULY 20), 1950.—Ordered to be printed

Mr. FREAR, from the Committee on Post Office and Civil Service, submitted the following

REPORT

[To accompany H. R. 7824]

The Committee on Post Office and Civil Service, to whom was referred the bill (H. R. 7824), to provide for the administration of performance-rating plans for certain officers and employees of the Federal Government, and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the bill, as amended, do pass.

STATEMENT

The purpose of the bill is to provide for a performance-rating system for certain officers and employees of the Federal Government to replace the existing efficiency rating system provided for in title IX of the Classification Act of 1949.

While some of the aspects of H. R. 7824 were included in S. 2111, designed to implement the recommendations of the Commission on Organization of the Executive Branch of the Government (the Hoover Commission) with regard to personnel management, and this committee held extensive hearings on S. 2111, no identical bill to H. R. 7824 was introduced in the Senate; therefore, in reporting H. R. 7824, the Senate Committee on Post Office and Civil Service is adopting the House committee report in full.

AMENDMENTS

In addition to the 10 amendments to the bill as originally introduced, the committee feels that an eleventh amendment should be added to read:

(11) Employees outside the continental limits of the United States who are paid in accordance with local native prevailing wage rates for the area in which employed.

The purpose of this amendment is to add to the 10 categories excluded those employees located outside the continental United States, whose rates of pay are fixed in accordance with local prevailing native wage rates. It is not believed that the application of this performance rating plan to them would serve any useful purpose, and would involve additional work and expense which cannot be justified by the results to be obtained.

The bill is also amended by substituting "outstanding" for "excellent" in line 7, page 4 of original bill; and by substituting "satisfactory" for "excellent" in line 6, page 5 of original bill.

These changes in the bill as it passed the House are in line with the suggestions contained in the attached letter from the Civil Service Commission, July 21, 1950, and are for the reasons given by the Commission in which the committee concurs.

The bill is further amended in line 18, page 4, by inserting "of equal jurisdiction" between the words "review" and "for". The purpose of this amendment is to make clear that when several boards are organized in one department or agency, their jurisdiction would be on the same level and that the appellant would not have successive appeals from one board to another board.

UNITED STATES CIVIL SERVICE COMMISSION,
Washington 25, D. C., July 21, 1950.

Hon. OLIN D. JOHNSTON,
*Chairman, Committee on Post Office and Civil Service,
United States Senate.*

DEAR SENATOR JOHNSTON: In response to a request today from Mr. J. Austin Latimer, staff director of your committee, the Commission is glad to submit the following brief report on H. R. 7824, the proposed Performance Rating Act of 1950.

While the Commission prefers the provisions of H. R. 7264, which follow the draft of the Commission's comments in its report of January 31, 1950, we believe that H. R. 7824 represents a substantial improvement over the present uniform efficiency rating system in the Federal service. We urgently recommend, however, that the two following changes be made in the language of H. R. 7824:

In section 6, we recommend that the word "excellent" (p. 4, line 7, of the printed bill) be changed to "outstanding." As you know, the present uniform efficiency rating system prescribes the adjective rating "excellent" as the highest of five adjective ratings. One serious criticism of the present uniform system is that an undue proportion of Federal employees customarily receive the "excellent" rating. We believe that the intent of H. R. 7824 is to reserve the highest of the three ratings for employees who are in every respect outstanding in their performance, and that this highest rating should not be degenerated into an automatic rating for large groups of employees. By using the designation "outstanding" instead of "excellent", the large number of present employees who have been rated "excellent" under the existing system would not feel that they should automatically be given the highest rating under the new system.

We also recommend that the word "excellent" in section 7 (c) (on page 5, line 6 of the printed bill) be changed to "satisfactory". This change would mean that employees with a "satisfactory" rating would not be entitled to an appeal outside

their agencies to an efficiency rating board of review. Such employees would, however, still be able to have their ratings reviewed within their own departments, under the provisions of section 7 (a). The Commission does not feel that a person should be in a position to ask an outside board to declare that his work is outstanding and deserving of special commendation. If this change is adopted, the number of appeals to efficiency rating boards of review would be substantially reduced. At the same time, employees receiving "unsatisfactory" ratings which would involve a penalty action would still have the right to appeal their ratings to an outside board of review.

Because of the need for an immediate report, the Commission has not been able to clear this report with the Bureau of the Budget.

By direction of the Commission:

Sincerely yours,

HARRY B. MITCHELL,
Chairman.

CHANGES IN EXISTING LAW

In compliance with the amendment to rule XXIX of the Standing Rules of the Senate set forth in Senate Resolution 95, Eighty-first Congress, first session, changes in existing law made by the bill (H. R. 7824) as reported are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

SECTION 701 OF THE CLASSIFICATION ACT OF 1949

SEC. 701. **[(a)]** Each officer or employee compensated on a per annum basis, and occupying a permanent position within the scope of the compensation schedules fixed by this Act, who has not attained the maximum scheduled rate of compensation for the grade in which his position is placed, shall be advanced in compensation successively to the next higher rate within the grade at the beginning of the next pay period following the completion of (1) each fifty-two calendar weeks of service if his position is in a grade in which the step-increases are less than \$200, or (2) each seventy-eight calendar weeks of service if his position is in a grade in which the step-increases are \$200 or more, subject to the following conditions:

(A) That no equivalent increase in compensation from any cause was received during such period, except increase made pursuant to section 702 or 1002;

(B) **[(That his current efficiency rating is "Good" or better than "Good"; That he has a current performance rating of "Satisfactory" or better; and**

[(C)] That the service and conduct of such officer or employee are certified as being otherwise satisfactory by the department; and **]**

[(D)] (C) That the benefit of successive step-increases shall be preserved, under regulations issued by the Commission, for officers and employees whose continuous service is interrupted in the public interest by service with the armed forces or by service in essential non-Government civilian employment during a period of war or national emergency.

[(b)] The term "good" as used in this title shall have the same meaning as when used in the systems of efficiency rating established pursuant to title IX of this Act. **]**

SECTION 702 (A) OF THE CLASSIFICATION ACT OF 1949

SEC. 702. (a) Within the limit of available appropriations and in accordance with standards promulgated by the Commission, each department is authorized, subject to prior approval by the Commission (except as provided in subsection (b)), to make additional step-increases as a reward for superior accomplishment, but no officer or employee shall be eligible for more than one such additional step-increase within each of the time periods specified in section 701 **[(a)]**.

SECTION 703 (B) (2) OF THE CLASSIFICATION ACT OF 1949

(2) No officer or employee shall receive a longevity step-increase unless his current **[(efficiency rating is "good" or better than "good", and his service and conduct are certified as being otherwise satisfactory by the department.]** *performance rating is "satisfactory" or better.*

SECTION 4 OF THE ACT OF AUGUST 23, 1912 (37 STAT. 413)

[SEC. 4. The Civil Service Commission shall, subject to the approval of the President, establish a system of efficiency ratings for the classified service in the several executive departments in the District of Columbia based upon records kept in each department and independent establishment with such frequency as to make them as nearly as possible records of fact. Such system shall provide a minimum rating of efficiency which must be attained by an employee before he may be promoted; it shall also provide a rating below which no employee may fall without being demoted; it shall further provide for a rating below which no employee may fall without being dismissed for inefficiency. All promotions, demotions, or dismissals shall be governed by provisions of the civil-service rules. Copies of all records of efficiency shall be furnished by the departments and independent establishments to the Civil Service Commission for record in accordance with the provisions of this section: *Provided*, That in the event of reductions being made in the force in any of the executive departments no honorably discharged soldier or sailor whose record in said department is rated good shall be discharged or dropped, or reduced in rank or salary.]

[Any person knowingly violating the provisions of this section shall be summarily removed from office, and may also upon conviction thereof be punished by a fine of not more than one thousand dollars or by imprisonment for not more than one year.]

THE ACT OF JULY 31, 1946 (5 U. S. C. 669a)

[That no employee in any civilian position in the executive branch of the Government of the United States, other than an employee in or under the field service of the Post Office Department or any employee of the Tennessee Valley Authority, shall be rated as to efficiency except under a system of efficiency ratings approved by the Civil Service Commission, and that the provisions of section 9 of the Classification Act of 1923, as amended, or as may be hereafter amended, shall apply to all efficiency ratings under rating systems approved by the Civil Service Commission.]

[The Civil Service Commission is hereby authorized to make and publish rules and regulations for the administration of the provisions of this Act.]

[SEC. 2. The provisions of this Act shall be effective upon enactment, except that, with respect to employees in the field services whose positions are not subject to the Classification Act of 1923, as amended, such of the provisions of section 9 of the Classification Act of 1923, as amended, as require the Civil Service Commission to approve reductions in compensation and dismissals for inefficiency, or confer the right to a hearing and review of efficiency ratings by boards of review, shall not become effective until such boards of review in the field services are established as provided in section 7 of the Act of November 26, 1940 (54 Stat. 1215), under regulations prescribed by the Civil Service Commission, with the approval of the President.]

TITLE IX OF THE CLASSIFICATION ACT OF 1949

[TITLE IX—EFFICIENCY RATINGS]

[SEC. 901. (a) The Commission shall establish and may revise uniform systems of efficiency rating for the appraisal of the service of officers and employees in positions in the classes and grades provided by this Act. Such systems shall set forth degrees of efficiency which shall constitute ground for (1) the recognition of outstanding performance, (2) the granting of increases in the rate of compensation, (3) continuance at the existing rate of compensation, (4) decrease in the rate of compensation of officers and employees who at the time are above the middle rate for the grade in which their positions are placed, and (5) removal from the position or dismissal from the service.]

[(b) Each department shall rate in accordance with such systems the efficiency of each officer or employee under its jurisdiction. Ratings shall be open to inspection by representatives of the Commission and by officers and employees of the department in accordance with regulations issued by the Commission. Each officer or employee shall have the right to inspect the detailed report of his own rating.]

[(c) Reductions in compensation, removals from positions, or dismissals from the service shall be made by the departments whenever the efficiency ratings warrant.]

SEC. 902. (a) There shall be established in each department one or more boards of review each of which shall be composed of three members. One member, who shall serve as chairman, shall be designated by the Commission; one member shall be designated by the department concerned; and one member shall be designated by the officers and employees of the department concerned in such manner as may be determined by the Commission.

[(b) Alternate members shall be designated in the same manner as their respective principal members. The boards of review shall meet at the call of their respective chairmen for the purpose of considering and passing upon the merits of such efficiency ratings assigned to officers and employees as may be submitted to such boards of review as hereinafter provided.]

[(c) Any officer or employee shall, upon written request to the chairman of the appropriate board of review of his department, be entitled as a matter of right to a hearing and a review by such board of review of his efficiency rating. At the hearing the officer or employee, and such representative as he may designate, and such representatives of the department as may be designated by the department, shall be afforded an opportunity, (1) to submit orally or in writing any information deemed by the board of review to be pertinent to the case, and (2) to hear or examine, and reply to, any such information submitted to such board by other parties. After any such hearing the board may make such adjustment in any such efficiency rating as it may find to be proper.]

SEC. 903. The Commission shall make a study of efficiency rating systems in the Federal service and submit a report to Congress on or before February 1, 1950, setting forth its findings as to the operation and administration of such systems and such recommendations (including specific recommendations for legislation) as it may deem advisable.]

APPENDIX I

HISTORY OF THE EFFICIENCY-RATING SYSTEM IN THE FEDERAL SERVICE

There are records of efficiency-rating systems in Government departments as early as 1887, when they were required to be used in promotion examinations. Presidents Cleveland and Benjamin Harrison both made efforts to have efficiency ratings made so that advancements to higher-paying positions would be based on efficiency. A committee, appointed by President Theodore Roosevelt in 1905, recommended the preparation of semiannual efficiency ratings. It was not until 1912, however, that any serious attempt was made to provide for uniform systems of efficiency ratings.

By the act of August 23, 1912 (37 Stat. 413, 414), the Civil Service Commission was directed to establish uniform systems of efficiency ratings for all departmental services in the District of Columbia, and heads of departments were ordered to rate employees in keeping with such systems.

Under this authority, the Division of Efficiency of the Commission assisted in planning and installing a rating system in the Division of Dead Letters in the Post Office Department. Shortly thereafter, in 1914, the system was modified and extended to all departmental activities of the Post Office Department.

The Division of Efficiency of the Commission became an independent Bureau of Efficiency by the act of February 28, 1916 (39 Stat. 15), and continued cooperative efforts with different departments in the establishment of rating systems.

On October 24, 1921, the President directed the Bureau of Efficiency to "prescribe a system of rating of employees of the classified services of the Federal Government in the District of Columbia." Heads of departments and independent establishments were directed to apply this system to all employees (Executive Order No. 3567).

Section 9 of the Classification Act of 1923 (42 Stat. 1488), authorized the Personnel Classification Board to review and revise uniform systems of efficiency ratings, and established standards for such rating systems. The law required a rating level which must be attained to receive salary advancement within a grade, a rating level to permit retention in the grade without advancement or reduction in pay, a rating level to require reduction in pay within the grade, and a rating level which would require dismissal or demotion in grade. Dismissals, demotions, and pay reductions required by ratings were to be made by heads of departments, subject to the approval of the Board.

By the act of June 20, 1932 (47 Stat. 416), the functions, powers, and duties of the Personnel Classification Board were transferred to the Civil Service Com-

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mission, effective October 1, 1932. The following year the Bureau of Efficiency was abolished by the act of March 3, 1933 (47 Stat. 1519), and its property and records were transferred to the Bureau of the Budget.

Section 7 of the Ramspeck Act of November 26, 1940 (54 Stat. 1215), authorized the establishment of independent boards of review to hear and decide efficiency-rating appeals.

Efficiency ratings for employees in the field services were first required by the act of August 1, 1941 (55 Stat. 614), which directed the Commission and heads of departments and independent establishments to apply the efficiency-rating provisions of the Classification and Ramspeck Acts, "as nearly as practicable," to all employees paid under the compensation schedules of the Classification Act.

Efficiency ratings as a factor in reductions in force had been previously authorized by Executive orders, but their use was required by law under the terms of section 12 of the Veterans' Preference Act of June 27, 1944 (58 Stat. 387).

The act of July 31, 1946 (60 Stat. 751), requires Civil Service Commission approval for any efficiency-rating system used for rating employees in the executive branch of the Government, except the Tennessee Valley Authority and the field service of the Post Office Department.

The first efficiency-rating system established under the authority of the Classification Act was developed around a "graphic rating scale." Supervisors made check marks in black ink indicating their opinion of services rendered under different elements or factors on graduated scales. These check marks were reviewed by higher-level supervisors who concurred in the initial marks or indicated differences of opinion by check marks in red ink. The rating forms were then routed to central offices, known as boards of review, where codes were applied to produce a final rating on a percentage basis, specific to two decimal points. These boards of review were also authorized, in their judgment, to adjust ratings to conform to a predetermined pattern of distribution.

This rating system was devised to eliminate the personal element from the ratings. The supervisor did not make the rating—he merely reported his opinion of performance under a group of factors which applied to the employee's position. The reviewing supervisor did not make or approve a rating—he merely reviewed the initial supervisor's judgment as to performance under the various factors. The board of review did not use personal opinion but merely applied a code of weights to the opinions of the supervisors.

During the 10 years of its use, the graphic scale system of rating was very unpopular. No employee was able to obtain an explanation of his rating from any of his supervisors. Supervisors had difficulty in advising employees how to improve performance in order to receive a better rating. Everyone was suspicious of the results at every rating period.

After a series of conferences with representatives of all departments and independent establishments, the Commission revised the efficiency-rating system in 1935. In every possible way, the revised system was the direct opposite of the graphic rating-scale system. Factors were grouped under three headings: "Quality of performance," "Productiveness," and "Qualifications shown on job." Each factor was marked with a "plus" for strong, "minus" for weak, or a check mark if "neither strong nor weak." Numerical ratings were assigned under each heading; 1 or 2 if "excellent," 3 or 4 if "very good," 5 or 6 if "good," 7 or 8 if "fair," and 9 or 10 if "unsatisfactory." The numerical ratings were independent of the factor marks. The final rating was the sum of the three numerical ratings. Adjective ratings were as follows: 3 to 7 "excellent," 8 to 13 "very good," 14 to 19 "good," 20 to 24 "fair," and 25 to 30 "unsatisfactory." There were no definitions. No adjustments were permitted to reach a desired pattern of distribution.

This system also became unpopular because of the absence of any guide lines to indicate what kind of performance was excellent, very good, good, fair, or unsatisfactory. There was almost no basis upon which reviewers of ratings could discover differences of rating standards. Employees soon learned that what was considered as "Good" performance in one department was rated as "Excellent" in a different department.

Numerous changes have been made since 1940 in the rating system for employees in Classification Act positions. Rating elements have been made more specific. Supervisory judgments are reported on the rating elements by the use of symbols designating three evaluation levels. Plus marks now indicate outstanding performance and not merely a show of strength. A check mark signifies adequate performance and not "Neither strong nor weak." Numerical ratings were modified and then eliminated. Final adjective ratings are keyed to the element marks by a definite standard.

The uniform efficiency rating system has been devised by the Civil Service Commission (with the cooperation of the Federal agencies through the Federal Personnel Council), and applies to all Federal employees occupying positions paid under the compensation schedules of the Classification Act.

Ratings are prepared initially by the immediate supervisor, reviewed by higher supervisors, and reviewed and approved by an efficiency rating committee which exercises the authority of the head of the agency. Regular efficiency ratings are made on a standard form which contains 20 factors that are applicable to non-supervisory positions and 11 factors that are available for administrative, planning, and supervisory positions. Only those factors which pertain to the position of the employee are used for the appraisal of that employee's work performance. In a few experiments now being conducted with the approval of the Commission, the work operations or the duties of the position are used instead of the factors listed on the rating form.

After the appropriate factors are selected for a particular position, the especially important ones are shown by underlining. Then a symbol is placed in front of each pertinent factor indicating whether the employee's performance has (/) met, (+) exceeded, or (-) failed to measure up to job requirements. On the basis of these evaluations, a final adjective rating is assigned.

Five adjective ratings are provided: Excellent, very good, good, fair, and unsatisfactory. Each employee is notified of the particular adjective rating assigned by means of a standard form which tells the significance and meaning of the rating and what initial step he may take if he is not satisfied that the rating is correct. Under the uniform plan, the employee has the right to see his own rating form, to know the ratings of other employees of his agency, and to appeal his rating to a board of review.

Up to January 15, 1948, three types of ratings were provided: Regular, probational, and special. Regular ratings were to be made as of March 31 of each year, probational ratings at the end of the tenth month of the probational period, and special ratings when there was no current appropriate rating in record and one was needed for within-grade salary advancement or reduction in force. After the cessation of hostilities, when the size of the Government service was being reduced rapidly, a great many special ratings were made which were based on short periods of service. Consideration of this problem resulted in a change in the uniform efficiency-rating system which eliminated special ratings. Effective January 15, 1948, the system provides for two types of ratings: Entrance and regular. An entrance rating is given when an employee is appointed or changes his position. A regular rating is assigned when the employee has been in his position for 6 months, and annually thereafter on March 31 or in accordance with an agency plan approved by the Commission which might provide a different date or anniversary ratings for individual employees.

Another of the recent revisions of the uniform system incorporates the principle that ratings of "Fair" or "Unsatisfactory" should not be assigned unless the employee was given a warning 3 to 6 months prior to the rating, specifically informing him (a) how his performance fails to meet requirements, (b) how he may improve his performance, (c) that he has the opportunity to bring about such improvement, and (d) that he will receive a "Fair" or "Unsatisfactory" rating if his performance does not improve to meet required standards.

Prior to 1941, an employee who was dissatisfied with his efficiency rating could appeal only to his supervisors who had approved the rating. If any hearing was held, it was before an official, or a board of officials, in his own agency. However, the act of November 26, 1940, authorized the establishment of boards of review to consider efficiency-rating appeals.

This act provided for boards having three members—the chairman to be designated by the Civil Service Commission, one member to be designated by the head of the department, and the third member to be designated by the employees of the department in the manner determined by the Commission. Employees are entitled, as a matter of right, to a hearing and review of their efficiency ratings. They have the right to be represented, to submit information, and to hear, examine, and reply to information presented by other persons at the hearing.

Boards of review were established and began operating in 1941. At that time, only departmental-service employees whose positions were under the Classification Act could appeal to boards of review. This right was extended, insofar as practicable, to Classification Act employees in the field service by the act of August 1, 1941. Regulations were issued in 1942, whereby field service employees whose positions were under the Classification Act were permitted to appeal in writing even though no boards were established in the field service. The depart-

mental service boards took care of these appeals. The right of appeal was extended to other employees by the act of July 31, 1946, even though their positions were not subject to the Classification Act. This law, however, specifically exempted employees in the field service of the Post Office Department and all employees of the Tennessee Valley Authority. The right of a hearing and review for field-service employees whose positions were not under the Classification Act was postponed until field boards of review were established. In 1948, the Commission appointed chairmen of boards in its regional offices and field boards began to be established. A number of them are now in operation.

Efficiency ratings are used as a basis for within-grade pay increases. Title VII of the Classification Act of 1949 provides for successive salary advancements based on several factors, one of which is efficiency ratings. Ratings of "Good" or better permit periodic salary advancement by successive steps up to and including the maximum rate for the grade. Periodic within-grade salary advancements under the law and regulations are made by departments and agencies without review by the Commission.

Efficiency ratings are likewise a factor in calculating the retention credits which are used in determining the order in which employees are affected by reduction in force.

Reductions in compensation, demotions, and dismissals are actions that flow from efficiency ratings of below "Good" and are subject to approval by the Commission in the cases of all graded and ungraded employees in the departmental and field services, except employees of the Tennessee Valley Authority and the field service of the Post Office Department. Accordingly, specific procedures have been issued, governing salary reductions, demotions, and dismissals by heads of departments based on efficiency ratings. These procedures do not apply to employees serving probational periods.

Under these procedures, the employee is given a written notice, at least 30 calendar days in advance of the proposed effective date of the proposed action, stating (1) specifically what the performance requirements of his position are and how he failed to meet these performance requirements; (2) the nature and date of the proposed action, and, in any case of reduction in pay, the grade and title of the position and the new salary rate; and (3) that he may make a written reply to the agency within a specified period which shall be not less than one calendar week from the date of receipt of the notice, stating why the action should not be taken. The agency is required to consider the employee's answer and make such changes and adjustments in the efficiency rating and in the action resulting therefrom as are deemed appropriate. If these procedures are followed, the department's action is approved. In the case of a veteran, the approval is subject to any appeal by the employee under section 14 of the Veterans' Preference Act of 1944. If the employee has appealed his efficiency rating to a board of review, approval is subject to the board's decision on the merits of the rating.

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